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C O N F I D E N T I A L SECTION 01 OF 05 PRISTINA 000166

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KV, YI

SUBJECT: KOSOVO: COMMERCIAL TRAFFIC FINDS ALTERNATE ROUTES  
INTO KOSOVO, CUSTOMS REVENUE STEADY

REF: PRISTINA 63

Classified By: COM TINA KAIDANOW FOR REASONS 1.4 (B) AND (D)

¶1. (C) SUMMARY: A visit to several of Kosovo,s border crossings and customs clearance terminals highlighted functional customs operations and a steady stream of commercial traffic. Customs officials on site reported a general increase in commercial traffic for 2008, with a portion of this increase comprising re-routed goods from Gates 1 and D31 on the Serbian border. Local Kosovo businesses have also confirmed using alternate shipment routes and have not indicated any impediments to entry since independence. The Kulla crossing with Montenegro and Vermice crossing with Albania both reported slight increases in exports. There is some concern that heavier summer traffic will lead to longer processing times if all of Kosovo,s entry points are not in use. Overall, Kosovo Customs describes positive cooperation and frequent communication with their colleagues in neighboring countries, although there is room for improvement in some areas. A 12-kilometer no man,s land between the Montenegro and Kosovo checkpoints makes it difficult to control smuggling in that area. Additional security equipment such as x-ray equipment and improved terminal facilities with separate truck search areas would enable customs to conduct their operations more efficiently and curb smuggling efforts. END SUMMARY.

¶2. (C) USOP recently visited several Kosovo border checkpoints and customs clearance facilities to view how Kosovo Customs is handling increased commercial traffic on the ground. Several aspects of customs processing apply to all sites, regardless of size and location. All official customs clearance processing occurs between 8:00am and 8:00pm. Outside of these hours, trucks are permitted to overnight at customs clearance terminals for a fee of 30 euros/24 hours, which is paid to the terminal owner. Kosovo Customs does own the terminal facility at Vermice crossing but does not charge a fee for a truck to overnight. A terminal fee of 10 euros/24 hours is being considered. During the summer months, all border crossings report a significant increase in both commercial and passenger

traffic, due to better road conditions and the return of the Kosovo diaspora for summer visits. Kosovo Customs officials have good working relationships with their Kosovo Police Service (KPS) colleagues directly at the gates and conduct joint patrols of the green border, often with KFOR, to control smuggling.

#### Podujevo Customs Clearance/Gate 3 - Medare Crossing (Serbia)

13. (C) A few kilometers from the Medare (Gate 3) crossing with Serbia is Podujevo customs clearance facility, which processes all commercial traffic entering through this gate. This facility is about a 30 minute drive east of Pristina. On average, Podujevo processes 50 trucks/day during winter and as many as 100 trucks/day during summer. The terminal itself can handle a maximum of 115 trucks at one time. The director of the Podujevo facility reports that commercial traffic through Gate 3 was 12% lower in March compared to the same time last year due to recent events, but noted that traffic in January was 35% higher than the previous year. Overall, Podujevo has seen a 7-8% increase during the first quarter of 2008. Construction materials, fertilizers, soft drinks, dairy products and wheat imports from Hungary comprise most of the goods entering through Gate 3. Podujevo has noted more companies re-routing goods through Gate 3 rather than using Gates 1 and D31, as well as an increase in the variety of transit goods coming through destined for northern Kosovo. Goods of Serbian origin dominate but are slowly being overtaken by transit goods from Europe.

14. (C) Medare crossing is fairly quiet, according to the terminal director, and unobstructed views of the surrounding area prevent major smuggling. Small amounts of electronics

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and recreational drugs are confiscated at the border, usually from passenger vehicles. Importation of cigarettes and fuel are not permitted through Gate 3 and must go through the Hani i Elezit crossing with Macedonia. The terminal director reported that communication with Serbian colleagues is generally good and officials from both countries meet on an ad-hoc basis to discuss common issues of concern. Customs does not have an x-ray or other scanning equipment for searching vehicles and goods deemed to be high-risk, and completes all of these searches by hand. There is one non-enclosed search area without camera surveillance. In order to facilitate a more efficient flow for commercial traffic, customs would like to expand Gate 3 to two lanes entering and exiting Kosovo to separate commercial from passenger traffic, and improve the road to the Podujevo customs clearance facility.

#### Hani i Elezit/General Jankovic Crossing (Macedonia)

15. (C) The Hani i Elezit/General Jankovic crossing with Macedonia is Kosovo's largest port-of-entry (POE) for commercial goods both in terms of volume and value. Hani processes 70% of all commercial goods entering Kosovo and collected 60% of Kosovo Customs, total revenue for 2007 (253 million euros). On average the Hani crossing receives 200 commercial trucks/day, and reports a 10% increase in commercial traffic during the month of March. The terminal can handle a maximum of 300 trucks at one time. Hani also provides accelerated clearances for KFOR and diplomatic shipments. Due to the heavy volume of traffic through this gate, the average clearance time at the Hani terminal is 3 hours and 45 minutes. The terminal director's goal is to meet the EU standard of 3 hours processing time.

16. (C) Hani i Elezit also receives the most varied goods of all Kosovo POEs, making risk analysis of type and origin more challenging. Most goods are of European or Asian origin, the most common comprising construction materials (steel, bricks, insulation materials, roof tiles), food products, textiles, fuel/petroleum, cigarettes, alcoholic beverages, electronics (computers, televisions) and household appliances. The

majority of smuggled goods originate or transit through Turkey, with drugs, weapons and ammunition among the items most often confiscated. The terminal director reports that working relationships with Macedonian customs and police counterparts are very good, and that they try to anticipate potential problems and have good information sharing.

¶17. (C) As the busiest POE in Kosovo, the Hani gate benefits from the most specialized equipment and a large terminal facility. There are several separate and enclosed search areas for both commercial and passenger vehicles that are equipped with camera surveillance for the protection of the officers. It is also the only terminal in Kosovo with a mobile x-ray unit capable of scanning commercial trucks in their entirety to match the invoiced goods with the truck contents. Goods identified as high-risk are scanned in a separate, protected area and if suspicious contents are noted on the x-ray, the truck is hand-searched in an enclosed area. The mobile x-ray scanning unit was procured with the assistance of USOP,s EXBS program advisor.

#### Glllobocica Crossing (Macedonia)

¶18. (C) About 30 kilometers to the west of Hani i Elezit is the Glllobocica crossing, also bordering Macedonia. Although Glllobocica does not handle commercial traffic, the Head of UNMIK Customs Operations stated that if commercial traffic increases by 50% or more at Hani, low-risk commercial traffic could be re-routed to Glllobocica per an already established agreement with Macedonia. Up to 50 commercial trucks could be accommodated at this crossing if the need arises. The distance from Skopje to Glllobocica is only 42 kilometers more than to the Hani crossing. Customs and KPS have tentative plans to expand facilities at this crossing to include a full

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customs clearance terminal that can accommodate 200 commercial vehicles, benefitting many businesses in western Macedonia and southwestern Kosovo. Although the project has the pledge of European Assistance and Reconstruction (EAR) aid, plans are on hold pending the resolution of property ownership in the immediate vicinity of the proposed terminal. Passenger traffic at Glllobocica averages 250 cars/day, mostly day commuters going to work or school.

#### Vermice Crossing (Albania)

¶19. (C) Vermice crossing, about eight kilometers south of Prizren, is Kosovo,s largest crossing with Albania. This terminal primarily receives day travelers from western Albanian coming to Kosovo for shopping. According to the customs terminal director, Vermice processes 10-15 commercial trucks/day, with a maximum capacity of 50 trucks. A new road under construction from the Albanian port of Durrës to Kosovo is anticipated to bring a significant increase in commercial traffic through this crossing. The new road is projected to be complete by the end of 2009, shortening the driving time from Durrës to Vermice to three hours. Additionally, the Fushe Kosove/Kosovo Polje - Prizren rail link could also be used to facilitate the transport of goods through Vermice to Eastern Europe and the Balkans via connections with Skopje, Athens, Belgrade and Budapest. EAR and Albania have each pledged 100 million euros to the expansion of the Vermice terminal facilities and are conducting feasibility studies. Currently, Vermice only has one unenclosed area designated for commercial truck searches without security camera surveillance of the search area. All searches are done by hand.

¶10. (C) The main goods entering through Vermice are food products, alcohol, cosmetics and Chinese goods (plastics and textiles) arriving via Durrës. The terminal director anticipates seeing an increase in Chinese goods because Macedonia is enforcing its intellectual property rights laws more stringently. The director also noted that more agricultural products are being exported to areas of western

Albania without many commercial establishments. During the summer, Vermice processes a higher volume of consumer goods brought in by the diaspora for re-sale, traveling to Kosovo via Durres. As many as 2,000 passenger vehicles per day enter Kosovo during the high season, bringing new vehicles, tires, car parts and motorbikes to sell in Kosovo before returning abroad.

¶11. (C) A fair amount of smuggling is detected at Vermice, primarily quantities of consumer goods Albanians have purchased during day trips for re-sale and are claiming for "personal use." In an attempt to avoid detection, customs officers have reported seeing several individuals in a row declaring an identical amount of the same item for "personal use" to avoid export fees. There is some smuggling of computer parts via Italy and drugs in small amounts. KPS and customs have had success apprehending smugglers but the mountainous terrain around the border, with many secondary roads and small paths, make this area difficult to patrol. There have been incidents of violence against authorities, with would-be smugglers shooting at officers over as little as five kilograms of cannabis. Vermice customs authorities are also responsible for the Qafa Morinas and Qafa Prushit crossings along the Albanian border. These two crossings do not accept commercial traffic but see a significant amount of small-time smuggling attempts due to the lack of 24-hour customs officials at these gates and no camera surveillance. According to the terminal director, Kosovo Customs meets bi-weekly with Albanian customs and police, as well as with Turkish KFOR which has a presence directly at Vermice crossing.

Kulla Crossing (Montenegro) and Peja Customs Clearance Center

¶12. (C) Kulla crossing at the Montenegrin border receives 80  
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commercial trucks/day but has no facility for customs inspection or clearance directly at the gate. Customs and KPS officers are operating out of temporary buildings at the crossing and sending commercial goods for clearance to the Peja customs processing center 22 kilometers from Kulla. Only passenger goods are cleared directly at the gate. In 2007, Kosovo Customs processed 280 million euros worth of goods entering through Kulla, and 22 million euros worth of exports. The main products entering Kosovo through this gate are food products (wheat, sugar, sweets, fruit), household appliances, electronics, machinery, wood products and oil. Most goods are of EU origin, as well as from Bosnia, Croatia, Slovenia, Montenegro, China (textiles and plastic goods) and Brazil (chicken). Products from China and Brazil transit through the port at Bar. A small number of goods are transiting through Kulla destined for Macedonia. The Peja terminal can accommodate up to 230 trucks at one time, and has a three and a half hour average processing time.

¶13. (C) The Assistant Director of the Kulla/Peja terminal reports an increase in commercial traffic of 30% since the beginning of 2008, mostly goods re-routed from Gates 1 and D31 along the Serbian border with northern Kosovo. Kulla has also noted an increase in export traffic by about 10 trucks per day, mostly unprocessed leather, base metals from the Ferronikeli nickel factory and agricultural goods. Commercial traffic increases in the summer but a travel restriction on trucks during the hours of 7:00am to 7:00pm through Montenegro during the high season has led to congested roads. In order to travel during daytime in the summer, trucks must transit through Serbia to reach Kosovo from the north.

¶14. (C) The Assistant Terminal Director reports cooperation with Montenegrin customs is only adequate, and noted that Montenegro and Kosovo customs directors used to meet monthly and shared truck data regularly. However in July 2007, this cooperation suddenly stopped with no explanation. Kosovo Customs is informally receiving information through

previously established relationships at the working level with Montenegrin customs, but still does not receive data to control entering trucks and goods.

¶15. (C) Further complicating the situation is a 12 kilometer "no man's land" between the Kosovo and Montenegro checkpoints. EAR proposed a joint terminal project to move the checkpoints closer together and to provide Kosovo Customs with inspection and clearance facilities directly at the gate. Kulla's present facilities do not have separate areas for searching or weighing incoming trucks, and there is no designated area for passenger searches, and officers are using their own offices for these procedures. Montenegro refused the joint-terminal initiative, citing unresolved border demarcation issues.

¶16. (C) Although Montenegro currently provides a police escort to the Kosovo checkpoint for commercial trucks leaving Montenegro, smuggling is a major problem, in particular of cigarettes and fuel. The high mountainous terrain makes it difficult to spot smuggling activities and perpetrators can escape via numerous mountain paths. Neither side can effectively cover 12 kilometers without a permanent station. Smugglers have also employed mules and horses to bring their goods into Kosovo, saddling the animals with illicit goods from a truck stopped en route to one of the border checkpoints. The animals then instinctively follow the mountain paths back to their homes. The Montenegrin police escort only brings trucks in large groups, also increasing the wait time at the Kulla gate. When EconOff visited last week, the line of commercial traffic was backed all the way to the Montenegrin checkpoint. A new terminal would eliminate many of these difficulties and also facilitate better cooperation with their Montenegrin customs colleagues.

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#### Local Businesses Report No Problems; Customs Revenues Up

¶17. (C) Several local businesses recently contacted by USOP said that one month after independence, they have not experienced any difficulty importing goods into Kosovo. The ELKOS Group, Kosovo's largest wholesaler and distributor, reported re-routing delivery trucks through Gate 5 near Gjilan in eastern Kosovo instead of using Gates 1 or D31. Agim Shahini, head of the Kosovo Business Alliance stated that he has not heard of any difficulties from member companies bringing goods to Kosovo, and also mentioned some businesses using Medare (Gate 3) as well as Gate 5 as alternate entry points. Kosovo Customs spokesperson Adriatik Stavileci announced this week that there is an overall increase in total customs revenue collection by 1.8% for the first quarter of 2008 compared to the same period last year.

¶18. (C) COMMENT: Despite the closure of Gates 1 and D31 to large commercial traffic, the increase in numbers and the variety of goods at other POEs indicates that, as we anticipated, businesses are finding their own way to ensure their products reach Kosovo. Customs operations on the ground are prepared and anticipating possible spikes in commercial and passenger traffic in response to unanticipated future events. Combatting smuggling and maintaining an efficient flow of traffic will continue to be a challenge, particularly during the peak summer season. Kosovo Customs will continue to engage and cooperate with neighboring country colleagues, and USOP will pursue all options to facilitate the flow of communication between all parties involved, as well as using EXBS and other related programs to help increase Customs' capabilities. END COMMENT.

KAIDANOW